

**CHAFFEY COMMUNITY
COLLEGE DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2015

CHAFFEY COMMUNITY COLLEGE DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Chaffey Community College District
Rancho Cucamonga, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Chaffey Community College District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the District as of June 30, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Notes 2 and 15 to the financial statements, in 2015, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis on pages 5 through 12, the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 59, the Schedule of the District's Proportionate Share of the Net Pension Liability on page 60, and the Schedule of District Contributions on page 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information, including the Schedule of Expenditures of Federal Awards, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Valmicki, Tine, Day & Co., LLP

Rancho Cucamonga, California

December 14, 2015



USING THIS ANNUAL REPORT

As required by generally accepted accounting principles, the annual report consists of three basic financial statements that provide information on the Chaffey Community College District's (the District) activities as a whole: the *Statement of Net Position*; the *Statement of Revenues, Expenses, and Changes in Net Position*; and the *Statement of Cash Flows*.

Responsibility for the completeness and accuracy of this information rests with District management.

The California Community Colleges Chancellor's Office has recommended that all State community colleges follow the Business-Type Activity (BTA) model for financial statement reporting purposes.

The focus of the *Statement of Net Position* is designed to be similar to bottom line results for the District. This statement combines and consolidates current financial resources (net short-term spendable resources) with capital assets and long-term obligations. The *Statement of Revenues, Expenses, and Changes in Net Position* focuses on the costs of the District's operational activities, which are supported mainly by property taxes and by State and other revenues. This approach is intended to summarize and simplify the user's analysis of the cost of various District services to students and the public. The *Statement of Cash Flows* provides an analysis of the sources and uses of cash within the operations of the District.

Comparative information is included for the years ended June 30, 2015 and 2014.

FINANCIAL HIGHLIGHTS

- The District's primary funding source is apportionment received from the State of California. The District's apportionment amount is determined by the number and size of colleges and centers in the District and the number of Full-Time Equivalent Students (FTES). Chaffey College has one medium college in Rancho Cucamonga and two large State approved centers in Fontana and Chino. The actual factored FTES per the 2014-2015 recalculated apportionment attendance report was 14,768.68. This is an increase of 749.41 FTES from the prior year funded FTES. The FTES increase is the result of increased sections to support the restoration of 2011-2012 prior year state funding reductions. The District also received a Cost of Living Adjustment (COLA) of 0.85 percent.
- At the close of the 2014-2015 fiscal year, the unrestricted General Fund reserve met the California Community Colleges Chancellor's Office recommendation to maintain a minimum of a five percent reserve. In addition, the District's Governing Board policy of a seven percent reserve has also been met. By maintaining this reserve, the District will have funds available for unanticipated expenditures and budget uncertainties.
- The District is accredited by the Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges. The last accreditation review was completed in June 2010. Preparations have begun for the next review, which is scheduled for October, 2016.

CHAFFEY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSIONS AND ANALYSIS JUNE 30, 2015

FINANCIAL HIGHLIGHTS, Continued

- Chaffey College continues to operate as a fiscally independent district. The District no longer utilizes the San Bernardino County Superintendent of Schools as a pass-through to process commercial and payroll warrants, but deals directly with the San Bernardino County Treasurer's and Auditor-Controller's Offices. Fiscal independence provides the District with greater internal controls and enables the District to meet their financial obligations by providing timely services to the outside business community, students, and employees.
- The District retired several debts at the end of 2014-2015, including the Voluntary Retirement Plan and the Central Plant Lease payments.
- During the 2014-2015 fiscal year, the District established a Governmental Accounting Standards Board (GASB) Statement No. 43 irrevocable trust with Futuris Public Entity Investment Trust to fund other post-employment benefit (OPEB) obligations. As of June 30, 2015, the District has contributed \$2,128,836. The District will budget annual contributions to continue funding the trust in an effort to meet future obligations.
- The District implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, by State and Local Governmental Employers, for the year ended June 30, 2015. GASB Statement No. 68 is a change in accounting principles that establishes standards for measuring and recognizing future retirement liabilities. As a result of implementing GASB Statement No. 68, the District's aggregate net pension obligation as of June 30, 2015 was \$60.4 million.
- The District was awarded nearly \$15 million for advanced manufacturing training from the Trade Adjustment Assistance Community College and Career Training (TAACCCT) competitive grant program, which is administered by the Department of Labor and the Department of Education. These funds will establish a Technical Training Center at California Steel Industries (CSI), with classes beginning in early 2016.
- Measure L continues to support capital improvements and the District has various construction projects funded by the 2002 \$230 million general obligation bond and capital projects funds in progress throughout the District. Major projects in progress and/or completed during the 2014-2015 fiscal year were:
 - Instructional Equipment
 - Infrastructure Phase 1C, Central Plant Build-Out, TES Tank

Projects not completed in 2014-2015 will be on-going through the 2015-2016 fiscal year and future years until completion.

CHAFFEY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSIONS AND ANALYSIS

JUNE 30, 2015

ECONOMIC FACTORS AFFECTING CURRENT AND FUTURE FINANCES OF CHAFFEY COMMUNITY COLLEGE DISTRICT

The economic position of the District is closely tied to the State of California, as State apportionments and property taxes allocated to the District in 2014-2015 represented approximately 86 percent of the unrestricted General Fund revenues.

After multiple years of reductions in state community college funding, in 2014-2015 California Community Colleges received funding of approximately \$140 million to increase student access. It is anticipated that the District's portion of this amount will assist in adding sections and recovering 2011-2012 student workload revenue reductions. The District offered approximately 3,490 class sections in 2014-2015.

The current 2014-2015 State budget includes an allocation increase of approximately four percent for student access and further restoration of prior year revenue reductions, contingent upon the District earning the funding through increased FTES. In addition, the District received a COLA of 0.85 percent

For the eighth consecutive year, the State applied a deficit factor to revenue for community colleges at year-end because of State revenue shortages. Total 2014-2015 State revenue deficit adjustments for the District at year-end were approximately \$236,315 or 0.9968 percent. Because of subsequent year adjustments to prior year revenue for redevelopment and education protection account funds, this deficit amount could change.

The passage of Proposition 30 by California voters in November 2012 increased State revenues and benefited California community colleges for the immediate future by preventing additional funding reductions, increasing funding for student access and eliminating State cash deferrals. The measure temporarily increases personal income tax on annual earnings over \$250,000 for seven years and sales and use tax by ¼ cent for four years. Eleven percent of these temporary tax revenues will be allocated to community colleges and 89 percent to K-12 schools. Funds cannot be spent on administrative salaries, but provides local school governing boards discretion to decide, in open meetings and subject to annual audit, how funds are to be spent.

While this action supports California community colleges, it will take several years to recover from years of reduced State funding. The District implemented expenditure reductions from 2008-2009 through 2012-2013 to offset revenue shortfalls. The District continues to review revenues and expenditures to ensure the mission of the College is supported and that instruction and services to students remain a priority.

There are currently no other known facts, decisions, or conditions that will have a significant effect on the financial position (net position) or results of operations (revenues, expenses, and changes in net position) of the District.

CHAFFEY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSIONS AND ANALYSIS JUNE 30, 2015

Condensed financial information is as follows:

Net Position as of June 30,

(Amounts in thousands)

	2015	2014 as restated
Current and Other Assets		
Cash and investments	\$ 81,607	\$ 82,085
Other current assets	7,208	6,851
Total Current Assets	88,815	88,936
Noncurrent Assets		
Capital assets, net of depreciation	288,129	293,128
Total Assets	376,944	382,064
Deferred Outflow of Resources		
Deferred charge on refunding	14,065	5,682
Current year pension contribution	5,618	4,700
Total Deferred Outflow of Resources	19,683	10,382
Current Liabilities		
Accounts payable and accrued liabilities	17,613	15,851
Unearned revenue	4,122	2,223
Long-term obligations	5,976	7,780
Total Current Liabilities	27,711	25,854
Noncurrent Liabilities		
Long-term obligations	251,965	271,305
Total Liabilities	279,676	297,159
Deferred Inflow of Resources		
Difference between projected and actual earnings on pension plan investments	16,922	-
Net Position		
Net investment in capital assets	138,368	134,822
Restricted for expendable purposes	25,153	26,056
Unrestricted	(63,492)	(65,591)
Total Net Position	\$ 100,029	\$ 95,287

This schedule has been prepared from the District's *Statement of Net Position*, which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated.

CHAFFEY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSIONS AND ANALYSIS JUNE 30, 2015

Capital assets, net of depreciation, are the historical value (original cost) of land, buildings, construction in progress, and equipment less accumulated depreciation. Gross capital assets increased approximately \$3.3 million due to the projects funded by the general obligation bond. Current year depreciation expense was \$8.4 million for a net reduction in our capital asset balance of \$5.0 million. Note 5 to the financial statements provides additional information on capital assets.

Long-term obligations consist primarily of general obligation bonds, aggregate net pension obligation, and notes payable. At June 30, 2015, the District had \$193.7 million in debt outstanding due to the issuance of bonds and notes payable. Note 9 to the financial statements provides additional information on long-term obligations. At June 30, 2015, the District's aggregate net pension obligation was \$60.4 million. Note 12 to the financial statements provides additional information on the District's aggregate net pension obligation.

Many of the unrestricted assets have been designated by the Board or by contracts for such purposes as Federal and State grants, outstanding commitments on contracts, bookstore and cafeteria reserves, and general reserves for the ongoing financial health of the District.

CHAFFEY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSIONS AND ANALYSIS JUNE 30, 2015

Operating Results for the Years Ended June 30,

(Amounts in thousands)

	<u>2015</u>	<u>2014</u>
Operating Revenues		
Tuition and fees (net)	\$ 9,314	\$ 9,471
Bookstore, net sales	5,916	5,821
Total Operating Revenues	<u>15,230</u>	<u>15,292</u>
Operating Expenses		
Salaries and benefits	85,174	80,437
Supplies, materials, and other operating expenses	21,722	19,053
Student financial aid	26,215	26,365
Depreciation	8,444	8,173
Total Operating Expenses	<u>141,555</u>	<u>134,028</u>
Loss on Operations	<u>(126,325)</u>	<u>(118,736)</u>
Nonoperating Revenues (Expenses)		
State apportionments	30,928	20,487
Grants and contracts	55,954	49,585
Property taxes	40,208	52,097
State revenues	3,713	2,137
Net interest and investment income (expense)	(1,592)	(7,558)
Other nonoperating revenues	1,454	1,306
Total Nonoperating Revenue (Expenses)	<u>130,665</u>	<u>118,054</u>
Other Revenues and (Expenses)		
State and local capital income	404	483
Loss on disposal of capital assets	(2)	(10)
Net Change in Net Position	<u>\$ 4,742</u>	<u>\$ (209)</u>

Grant and contract revenues relate to student financial aid, as well as specific Federal and State grants received for programs serving the students of the District. These grant and program revenues are restricted as to the allowable expenses related to the programs.

CHAFFEY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSIONS AND ANALYSIS JUNE 30, 2015

In accordance with requirements set forth by the California Community Colleges Chancellor's Office, the District reports operating expenses by object code. Operating expenses by functional classification are as follows:

Statement of Functional Expenses for the Year Ended June 30, 2015

	Salaries and Benefits	Supplies, Materials, and Other Expenses and Services	Student Financial Aid	Depreciation	Total
Instructional activities	\$ 42,408,327	\$ 1,743,394	\$ -	\$ -	\$ 44,151,721
Academic support	6,413,043	700,005	-	-	7,113,048
Student services	11,163,014	1,177,988	-	-	12,341,002
Plant operations and maintenance	3,203,330	4,212,389	-	-	7,415,719
Instructional support services	1,575,136	236,748	-	-	1,811,884
General institutional support services	11,380,709	5,479,541	-	-	16,860,250
Community services and economic development	1,434,775	1,271,288	-	-	2,706,063
Ancillary services and auxiliary operations	4,129,759	4,628,958	-	-	8,758,717
Student financial aid	-	-	26,214,862	-	26,214,862
Physical property and related acquisitions	151,826	1,570,375	-	-	1,722,201
Planning, policymaking, and coordination	3,314,125	701,824	-	-	4,015,949
Unallocated depreciation	-	-	-	8,443,820	8,443,820
Total	\$ 85,174,044	\$ 21,722,510	\$ 26,214,862	\$ 8,443,820	\$ 141,555,236

CHAFFEY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSIONS AND ANALYSIS JUNE 30, 2015

The *Statement of Cash Flows* provides information about cash receipts and payments during the year. This statement also assists users in assessing the District's ability to meet its obligations as they come due and its need for external financing.

Statement of Cash Flows for the Years Ended June 30,

(Amounts in thousands)

	2015	2014
Cash From		
Operating activities	\$ (115,506)	\$ (110,549)
Noncapital financing activities	118,654	108,217
Capital financing activities	(4,778)	(1,351)
Investing activities	2,891	1,840
Net Change in Cash	1,261	(1,843)
Cash, Beginning of Year	49,838	51,681
Cash, End of Year	<u><u>\$ 51,099</u></u>	<u><u>\$ 49,838</u></u>

The primary operating receipts are student tuition and fees and auxiliary sales. The primary operating expense of the District is the payment of salaries and benefits to instructional and classified support staff.

While State apportionment and property taxes are the primary source of noncapital related revenue, the GASB accounting standards require that this source of revenue is nonoperating as it comes from the general resources of the State and not from the primary users of the District's programs and services (students). The District depends upon this funding as the primary source of funds to continue the current level of operations.

CONTACTING THE DISTRICT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the District at: Chaffey Community College District, 5885 Haven Avenue, Rancho Cucamonga, California 91737-3002.

CHAFFEY COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION – PRIMARY GOVERNMENT JUNE 30, 2015

ASSETS

Current Assets

Cash and cash equivalents	\$ 1,935,566
Investments - unrestricted	49,163,732
Investments - restricted	30,507,673
Accounts receivable	5,402,559
Student receivables, net	719,775
Due from fiduciary funds	40,649
Inventories	1,045,180
Total Current Assets	88,815,134

Noncurrent Assets

Nondepreciable capital assets	55,458,624
Depreciable capital assets, net of depreciation	232,670,408
Total Noncurrent Assets	288,129,032
TOTAL ASSETS	376,944,166

DEFERRED OUTFLOW OF RESOURCES

Deferred charges on refunding	14,065,456
Current year pension contribution	5,618,002
TOTAL DEFERRED OUTFLOW OF RESOURCES	19,683,458

LIABILITIES

Current Liabilities

Accounts payable	16,948,771
Accrued interest payable	652,860
Due to fiduciary funds	11,515
Unearned revenue	4,122,250
Bonds and notes payable - current portion	5,880,000
Energy optimization loan - current portion	95,579
Total Current Liabilities	27,710,975

Noncurrent Liabilities

Compensated absences payable	1,223,364
Bonds and notes payable	187,866,271
Energy optimization loan	272,162
Net other postemployment benefits	2,179,177
Aggregate net pension obligation	60,424,227
Total Noncurrent Liabilities	251,965,201
TOTAL LIABILITIES	279,676,176

DEFERRED INFLOW OF RESOURCES

Difference between projected and actual earnings on pension plan investments	16,922,282
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NET POSITION

Net investment in capital assets	138,367,834
Restricted for:	
Debt service	13,040,811
Capital projects	10,331,650
Other activities	1,780,850
Unrestricted	(63,491,979)
TOTAL NET POSITION	\$ 100,029,166

The accompanying notes are an integral part of these financial statements.

CHAFFEY COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – PRIMARY GOVERNMENT FOR THE YEAR ENDED JUNE 30, 2015

OPERATING REVENUES

Student Tuition and Fees	\$ 21,695,361
Less: Scholarships discount and allowances	(12,380,940)
Net tuition and fees	9,314,421
Sales	
Bookstore	5,915,464
TOTAL OPERATING REVENUES	15,229,885

OPERATING EXPENSES

Salaries	63,259,229
Employee benefits	21,914,815
Supplies, materials, and other operating expenses and services	21,722,510
Student financial aid	26,214,862
Depreciation	8,443,820
TOTAL OPERATING EXPENSES	141,555,236

OPERATING LOSS	(126,325,351)
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NONOPERATING REVENUES (EXPENSES)

State apportionments, noncapital	30,928,375
Federal grants	28,174,813
State grants	27,779,524
Local property taxes, levied for general purposes	28,538,626
Taxes levied for other specific purposes	11,669,831
State taxes and other revenues	3,713,041
Investment income	1,139,132
Interest expense on capital related debt	(2,783,447)
Investment income on capital asset - related debt, net	52,058
Other nonoperating revenue	1,453,519
TOTAL NONOPERATING REVENUES (EXPENSES)	130,665,472

INCOME BEFORE OTHER REVENUES AND LOSSES	4,340,121
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OTHER REVENUES AND LOSSES

State revenues, capital	404,023
Loss on disposal of capital assets	(2,122)
TOTAL OTHER REVENUES AND LOSSES	401,901

CHANGE IN NET POSITION	4,742,022
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NET POSITION, BEGINNING OF YEAR AS RESTATED	95,287,144
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NET POSITION, END OF YEAR	\$ 100,029,166
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The accompanying notes are an integral part of these financial statements.

CHAFFEY COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS – PRIMARY GOVERNMENT FOR THE YEAR ENDED JUNE 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$ 9,423,835
Auxiliary enterprise sales	5,915,464
Payments to or on behalf of employees	(86,251,386)
Payments to vendors for supplies and services	(18,379,473)
Payments to students for scholarships and grants	(26,214,862)
Net Cash Flows From Operating Activities	(115,506,422)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State apportionments	28,871,408
Noncapital grants and contracts	55,954,337
Property taxes - non-debt related	28,538,626
State taxes and other apportionments	2,414,845
Other nonoperating	2,875,547
Net Cash Flows From Noncapital Financing Activities	118,654,763

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

State apportionments capital projects	404,023
Property taxes - related to capital debt	11,669,831
Proceeds from capital debt	96,840,799
Acquisition and construction of capital assets	(2,838,519)
Deferred charges on refunding	(8,383,752)
Principal paid on capital debt and leases	(99,738,894)
Interest paid on capital debt	(2,783,447)
Interest received on capital asset - related debt	52,058
Net Cash Flows From Capital Financing Activities	(4,777,901)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sales and maturities of investments	1,738,868
Investment income	1,152,159
Net Cash Flows From Investing Activities	2,891,027

NET CHANGE IN CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR

CASH AND CASH EQUIVALENTS, END OF YEAR

1,261,467

49,837,831

\$ 51,099,298

The accompanying notes are an integral part of these financial statements.

CHAFFEY COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS – PRIMARY GOVERNMENT, (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2015

RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES

Operating Loss	<u>\$ (126,325,351)</u>
Adjustments to Reconcile Operating Loss to Net Cash	
Flows From Operating Activities:	
Depreciation expense	8,443,820
Changes in Operating Assets, Deferred Outflows, Liabilities and Deferred Inflows:	
Receivables	(9,715)
Inventories	(204,560)
Prepaid expenses	4,446
Current year pension contributions	(917,848)
Accounts payable and accrued liabilities	2,927,407
Unearned revenue	1,899,309
Difference between projected and actual earnings on pension plan investments	16,922,282
Compensated absences and retirement incentives/benefits	<u>(18,246,212)</u>
Total Adjustments	<u>10,818,929</u>
Net Cash Flows From Operating Activities	<u><u>\$ (115,506,422)</u></u>

CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:

Cash in banks	\$ 1,935,566
Cash with County Treasury	<u>49,163,732</u>
Total Cash and Cash Equivalents	<u><u>\$ 51,099,298</u></u>

NON CASH TRANSACTIONS

On behalf payments for benefits	<u><u>\$ 1,749,866</u></u>
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The accompanying notes are an integral part of these financial statements.

CHAFFEY COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION JUNE 30, 2015

	<u>Trust Funds</u>
ASSETS	
Cash and cash equivalents	\$ 585,652
Accounts receivable	7,525
Due from primary government	11,515
Total Assets	<u>604,692</u>
LIABILITIES	
Accounts payable	31,809
Due to primary government	40,649
Unearned revenue	34,543
Total Liabilities	<u>107,001</u>
NET POSITION	
Unreserved	497,691
Total Net Position	<u>\$ 497,691</u>

The accompanying notes are an integral part of these financial statements.

CHAFFEY COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FOR THE YEAR ENDED JUNE 30, 2015

	<u>Trust Funds</u>
ADDITIONS	
Local revenues	<u>\$ 781,845</u>
DEDUCTIONS	
Classified salaries	26,279
Employee benefits	3,490
Services and operating expenditures	<u>697,165</u>
Total Deductions	<u>726,934</u>
Change in Net Position	54,911
Net Position - Beginning	<u>442,780</u>
Net Position - Ending	<u><u>\$ 497,691</u></u>

The accompanying notes are an integral part of these financial statements.

CHAFFEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 - ORGANIZATION

The Chaffey Community College District (the District) was established in 1916 as a political subdivision of the State of California and is a comprehensive, public, two-year institution offering educational services to residents of San Bernardino County. The District operates under a locally elected five-member Governing Board form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, Special Revenue funds, Capital Project funds, and Proprietary funds, but these budgets are managed at the department level. Currently, the District operates one community college located in Rancho Cucamonga, California and two State-approved centers in Fontana and Chino, California, as well as several satellite facilities. While the District is a political subdivision of the State of California, it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The District has adopted GASB Statement No. 61, *Determining Whether Certain Organizations are Component Units*. This Statement amends Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District. The three components used to determine the presentation are: providing a "direct benefit", the "environment and ability to access/influence reporting", and the "significance" criterion. The District has evaluated the Chaffey Community College Foundation, Inc. and has determined the relationship does not meet the criteria of a component unit and has not included the financial information in this report.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37, No. 38, and No. 39. This presentation provides a comprehensive entity-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office *Budget and Accounting Manual*. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are classified as operating revenues. These transactions are recorded on the accrual basis when the exchange takes place. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, operating revenues consist primarily of student fees and auxiliary activities through the bookstore and cafeteria.

CHAFFEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, certain Federal and State grants, entitlements, and donations. Property tax revenue is recognized in the fiscal year received. State apportionment revenue is earned based upon criteria set forth from the Community Colleges Chancellor's Office and includes reporting of full-time equivalent students (FTES) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated. Revenue from Federal and State grants and entitlements are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements may include time and/or purpose requirements.

Operating expenses are costs incurred to provide instructional services including support costs, auxiliary services, and depreciation of capital assets. All other expenses not meeting this definition are reported as nonoperating. Expenses are recorded on the accrual basis as they are incurred, when goods are received, or services are rendered.

The District reports are based on all applicable GASB pronouncements, as well as applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. The District has not elected to apply FASB pronouncements after that date.

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussions and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussions and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37, No. 38, and No. 39. The business-type activities model followed by the District requires the following components of the District's financial statements:

- Management's Discussion and Analysis
- Basic Financial Statements for the District as a whole including:
 - Statement of Net Position - Primary Government
 - Statement of Revenues, Expenses, and Changes in Net Position - Primary Government
 - Statement of Cash Flows - Primary Government
 - Financial Statements for the Fiduciary Funds including:
 - Statement of Fiduciary Net Position
 - Statement of Changes in Fiduciary Net Position
- Notes to the Financial Statements

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be unrestricted cash on hand, demand deposits, and short-term unrestricted investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include unrestricted cash with county treasury balances for purposes of the Statement of Cash Flows. Restricted cash and cash equivalents represent balances restricted by external sources such as grants and contracts specifically restricted for the repayment of capital debt.

CHAFFEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2015, are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets represent investments required to be set aside by the District for the purpose of satisfying certain requirements.

Accounts Receivable

Accounts receivable include amounts due from the Federal, State, and/or local governments or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. This allowance is based upon management's estimates and analysis. The allowance was estimated at \$743,383 for the year ended June 30, 2015.

Inventories

Inventories consist primarily of bookstore merchandise and supplies held for resale to the students and faculty of the college. Inventories are stated at cost or market, utilizing the average cost method. The cost is recorded as an expense as the inventory is sold.

Capital Assets and Depreciation

Capital assets are long-lived assets of the District as a whole and include land, construction in progress, buildings, leasehold improvements, and equipment. The District maintains an initial unit cost capitalization threshold of \$5,000 for machinery and equipment, and an estimated useful life greater than one year. For buildings and improvements the District uses \$150,000 as an initial unit capitalization threshold. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. The District does not possess any infrastructure. Donated capital assets are recorded at estimated fair market value at the date of donation. Improvements are capitalized; the costs of routine maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged as an operating expense in the year in which the expense was incurred. Major outlays for capital improvements are capitalized as construction in progress as the projects are constructed.

Depreciation of capital assets is computed and recorded by utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements, 5 to 20 years; equipment, 2 to 15 years; and vehicles, 5 to 10 years.

CHAFFEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the District-wide financial statements.

Debt Issuance Costs, Premiums, and Discounts

Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs, are amortized over the life of the bonds using the straight-line method.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for the deferred charges on the refunding of general obligation bonds and current year pension contributions.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for the difference between projected and actual earnings on pension plan investments specific to the net pension liability.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (the Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

Compensated Absences

Accumulated unpaid vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. The amounts have been reported in the fund from which the employees, who have accumulated leave, are paid.

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, retirement credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Retirement credit for unused sick leave is applicable to all academic employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

CHAFFEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Unearned Revenue

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period, or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized. Unearned revenue includes (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year, and (2) amounts received from Federal and State grants received before the eligibility requirements are met.

Noncurrent Liabilities

Noncurrent liabilities include bonds and notes payable, compensated absences, loan payable, and OPEB obligations with maturities greater than one year.

Net Position

GASB Statements No. 34 and No. 35 report equity as "Net Position" and represent the difference between assets and liabilities. The net position is classified according to imposed restrictions or availability of assets for satisfaction of District obligations according to the following net asset categories:

Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. To the extent debt has been incurred, but not yet expended for capital assets, such accounts are not included as a component of net investment in capital assets.

Restricted: Net position is reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the District, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

Unrestricted: Net position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed. The District-wide financial statements report \$25,153,311 of restricted net assets.

State Apportionments

Certain current year apportionments from the State are based on financial and statistical information of the previous year. Any corrections due to the recalculation of the apportionment are made in February of the subsequent year. When known and measurable, these recalculations and corrections are accrued in the year in which the FTES are generated.

CHAFFEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. The County Assessor is responsible for assessment of all taxable real property. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of San Bernardino bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

The voters of the District passed a General Obligation Bond in March 2002 for the acquisition, construction, and remodeling of certain District property. As a result of the passage of the Bond, property taxes are assessed on the property within the District specifically for the repayment of the debt incurred. The taxes are assessed, billed, and collected as noted above and remitted to the District when collected.

Board of Governors Grants (BOGG) and Fee Waivers

Student tuition and fee revenue is reported net of allowances and fee waivers approved by the Board of Governors through BOGG fee waivers in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students' behalf. To the extent that fee waivers have been used to satisfy tuition and fee charges, the District has recorded a scholarship discount and allowance.

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, and Federal Work-Study programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to students in the form of reduced tuition. These programs are audited in accordance with the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget's revised Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the related *Compliance Supplement*.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Interfund Activity

Interfund transfers and interfund receivables and payables for governmental activities are eliminated during the consolidated process in the Primary Government and Fiduciary Funds' financial statements, respectively.

CHAFFEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Change in Accounting Principles

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by State and local governments for pensions. It also improves information provided by State and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of State and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).

CHAFFEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes, but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled, and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a nonemployer entity has a legal requirement to make contributions directly to a pension plan.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a State or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement No. 68 requires a State or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a State or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a State or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

CHAFFEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

As the result of implementing GASB Statement No. 68, the District has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position as of July 1, 2014, by \$72,066,886. The decrease results from recognizing the net pension liability, net of related deferred outflows of resources. The restatement does not include deferred inflows of resources, as this information was not available.

New Accounting Pronouncements

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of State and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes.

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement No. 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

CHAFFEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

This Statement also clarifies the application of certain provisions of Statements No. 67 and No. 68 with regard to the following issues:

- Information that is required to be presented as notes to the ten-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported.
- Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions.
- Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of State and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

CHAFFEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. The primary objective of this Statement is to improve accounting and financial reporting by State and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by State and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of State and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

CHAFFEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of State and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier implementation is permitted.

NOTE 3 - DEPOSITS AND INVESTMENTS

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section (ECS) 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Other Investments

The District maintains investments outside the San Bernardino County Treasurer as allowed by the District's investment policy. The investments are stated at fair value as determined by quoted market prices.

CHAFFEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Authorized Under Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

Summary of Deposits and Investments

Deposits and investments of the primary government as of June 30, 2015, consist of the following:

Cash on hand and in banks	\$ 1,880,066
Cash in revolving	55,500
Investments	<u>79,671,405</u>
Total Deposits and Investments	<u><u>\$ 81,606,971</u></u>

CHAFFEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Deposits and investments of the Fiduciary Funds as of June 30, 2015, consist of the following:

Cash on hand and in banks	<u>\$ 585,652</u>
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Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by primarily investing in the San Bernardino County Investment Pool and municipal bonds. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

Investment Type	Fair Value	Weighted Average Days to Maturity
San Bernardino County Investment Pool	\$ 49,215,381	344
Investment Money Market Funds	5,399,432	N/A
Corporate Obligations	3,564,735	791
Municipal Bonds	17,917,292	2,041
Certificates of Deposit	2,877,921	731
Total	<u>\$ 78,974,761</u>	

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the San Bernardino County Investment Pool was rated by Fitch Ratings. The District's other investments were rated by Standards & Poor's as of June 30, 2015 as follows:

Investment Type	Fair Value	Rating June 30, 2015
San Bernardino County Investment Pool	\$ 49,215,381	AAA/V1
Investment Money Market Funds	5,399,432	N/A
Corporate Obligations	3,564,735	A-
Municipal Bonds	17,917,292	AA-
Certificates of Deposit	2,877,921	N/A
Total	<u>\$ 78,974,761</u>	

CHAFFEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2015, the District's bank balance of \$2,243,664 was exposed to custodial credit risk because it was uninsured but collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable for the Primary government consisted primarily of intergovernmental grants, entitlements, interest, and other local sources. The accounts receivable are as follows:

	<u>Primary Government</u>
Federal Government	
Categorical aid	\$ 1,212,912
State Government	
Categorical aid	1,169,596
Lottery	1,252,459
Other state sources	542,676
Local Sources	
Property taxes	964,439
Interest	32,004
Other local sources	228,473
Total	<u>\$ 5,402,559</u>
Student receivables	\$ 1,463,158
Less allowance for bad debt	(743,383)
Student receivables, net	<u>\$ 719,775</u>
	<u>Fiduciary Funds</u>
Other local	<u>\$ 7,525</u>

CHAFFEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the primary government for the fiscal year ended June 30, 2015, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	\$ 51,369,683	\$ 187,089	\$ -	\$ 51,556,772
Construction in progress	2,045,258	2,816,316	959,722	3,901,852
Total Capital Assets Not Being Depreciated	53,414,941	3,003,405	959,722	55,458,624
Capital Assets Being Depreciated				
Buildings and improvements	296,646,935	959,722	-	297,606,657
Machinery and equipment	17,043,684	443,288	187,232	17,299,740
Total Capital Assets Being Depreciated	313,690,619	1,403,010	187,232	314,906,397
Total Capital Assets	367,105,560	4,406,415	1,146,954	370,365,021
Less Accumulated Depreciation				
Buildings and improvements	60,348,290	7,578,015	-	67,926,305
Machinery and equipment	13,628,989	865,805	185,110	14,309,684
Total Accumulated Depreciation	73,977,279	8,443,820	185,110	82,235,989
Net Capital Assets	\$ 293,128,281	\$ (4,037,405)	\$ 961,844	\$ 288,129,032

Depreciation expense for the year was \$8,443,820.

Interest expense related to capital debt for the year ended June 30, 2015, was \$2,783,447. None of this amount was capitalized in the current fiscal year.

CHAFFEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the primary government and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process. As of June 30, 2015, the District's primary government owed the fiduciary funds \$11,515. The fiduciary funds owed the primary government \$40,649.

Interfund Operating Transfers

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the funds of the District have been eliminated in the consolidation process. Transfers between the primary government and the fiduciary funds are not eliminated in the consolidation process. During the 2015 fiscal year, there were no interfund operating transfers between the primary government and fiduciary funds.

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable for the primary government consisted of the following:

	Primary Government
Accrued payroll and benefits	\$ 3,241,381
State apportionment	7,599,030
Federal categorical	223,556
Construction	1,127,722
Other	4,757,082
Total	<u>\$ 16,948,771</u>
	Fiduciary Funds
Other liabilities	<u>\$ 31,809</u>

CHAFFEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

NOTE 8 - UNEARNED REVENUE

Unearned revenue consisted of the following:

		Primary Government
Federal categorical aid		\$ 15,305
State categorical aid		556,397
Other State		2,300,742
Enrollment fees		1,030,190
Other local		219,616
	Total	<u>\$ 4,122,250</u>
		Fiduciary Funds
Other local		<u>\$ 34,543</u>

CHAFFEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2015 fiscal year consisted of the following:

	Balance Beginning of Year as restated	Additions/ Accretion	Deductions	Balance End of Year	Due in One Year
Bonds					
General obligation bonds, Series 2005B	\$ 17,345,000	\$ -	\$ 17,345,000	\$ -	\$ -
General obligation bonds, Series 2007C	75,868,348	567,429	72,400,000	4,035,777	2,275,000
General obligation bonds, Series 2012D	12,130,000	-	-	12,130,000	-
General obligation bonds, Series 2012E	11,805,000	-	1,500,000	10,305,000	1,000,000
General obligation bonds, 2012 Refunding Bonds	46,215,000	-	145,000	46,070,000	1,440,000
General obligation bonds, 2014 Refunding Bonds	-	84,675,000	1,915,000	82,760,000	665,000
Lease revenue bonds, Series 2006A	2,225,000	-	140,000	2,085,000	165,000
Lease revenue bonds, Series 2008A	11,513,784	387,113	160,000	11,740,897	195,000
Unamortized bond premium	16,290,072	11,211,257	4,941,732	22,559,597	-
Redevelopment agreement payable	2,200,000	-	140,000	2,060,000	140,000
Note payable	956,583	-	956,583	-	-
Total Bonds and Notes Payable	196,548,787	96,840,799	99,643,315	193,746,271	5,880,000
Other Liabilities					
Compensated absences	1,275,003	-	51,639	1,223,364	-
Net OPEB obligation	3,127,833	1,934,888	2,883,544	2,179,177	-
Voluntary retirement incentive	903,104	-	903,104	-	-
Energy optimization loan	463,320	-	95,579	367,741	95,579
Aggregate net pension obligation	76,767,040	-	16,342,813	60,424,227	-
Total Other Liabilities	82,536,300	1,934,888	20,276,679	64,194,509	95,579
Total Long-Term Obligations	\$ 279,085,087	\$ 98,775,687	\$ 119,919,994	\$ 257,940,780	\$ 5,975,579

CHAFFEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Description of Debt

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local property tax revenues.

The lease revenue bonds issued in 2006, were to fund various capital improvement projects at the Fontana Center. At June 30, 2015, \$2,085,000 was outstanding. The bonds mature through January 2023, with interest rates ranging from 3.50 percent to 5.81 percent. Payments will be made from the unrestricted Capital Projects Fund or the unrestricted General Fund.

The lease revenue bonds issued in 2008, were to fund various capital improvement projects at the Fontana Center. At June 30, 2015, \$11,740,897 was outstanding. The bonds mature through January 2038, with interest rates ranging from 3.50 percent to 4.25 percent. Payments will be made from the Capital Projects Fund or the unrestricted General Fund.

During the 2005 fiscal year, the District entered into an agreement with the Fontana Redevelopment Agency to assist in the expansion of the Chaffey College Ralph M. Lewis Fontana Center. The agency purchased the land on behalf of the District, and the District agreed to pay \$3,600,000 for the land in annual payments of \$140,000. Payments will be made from the Capital Projects Fund. At June 30, 2015, the outstanding balance was \$2,060,000.

The notes payable issued in 2005 in the amount of \$8,000,000 were to design and construct the Central Plant project for the purpose of promoting feasible means of energy conservation and a feasible use of alternative energy sources. At June 30, 2015, the notes were paid in full.

The compensated absences will be paid by the fund for which the employee worked. At June 30, 2015, the balance outstanding was \$1,223,364.

During the 2010 fiscal year, the District adopted a Voluntary Retirement Plan (VRP) to achieve certain projected expenditure reductions in order to meet future fiscal obligations. To be eligible, the employee had to be at least 55 years of age as of June 30, 2010, full-time contract employee and represented by the CCFA and CSEA agreements. Under the VRP, the District makes a contribution to the participants plan account over a five year period (15 percent in years one and two, 20 percent in year three, and 25 percent in years four and five). The contribution is based on 90 percent of the final year base compensation. At June 30, 2015, the obligation for the VRP was paid in full.

The net OPEB obligation will be paid out of the Self-Insurance Fund. See Note 10 for additional information on the District's OPEB obligation.

During the 2013 fiscal year, the District entered into three loan agreements with Southern California Edison that totaled \$634,204. These agreements provided the District with various energy efficient equipment. The monthly payments vary by loan and will continue through the 2020 fiscal year. The outstanding balance at June 30, 2015, was \$367,741. Payments will be made from the unrestricted General Fund.

The aggregate net pension obligation of \$60,424,227 will be paid by the fund for which the employee worked. See Note 12 of additional information on the District's net pension obligation.

CHAFFEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Bonded Debt

2005 General Obligation Bonds, Series B

During May 2005, the District issued the 2005 General Obligation Bonds, Series B, in the amount of \$75,000,000. The bonds mature beginning on June 1, 2006 through June 1, 2015, with interest yields ranging from 2.65 percent to 4.47 percent. At June 30, 2015, the bonds were paid in full.

2007 General Obligation Bonds, Series C

During June 2007, the District issued the 2007 General Obligation Bonds, Series C, in the amount of \$79,999,966. The bonds issued included \$9,769,966 of Capital Appreciation Bonds and \$70,230,000 of Current Interest Bonds. The Capital Appreciation Bonds have a maturing principal balance of \$15,920,000. The bonds mature beginning on June 1, 2009 through June 1, 2017, with interest yields ranging from 3.99 percent to 4.60 percent. At June 30, 2015, the principal balance outstanding (including accreted interest to date) was \$4,035,777.

2012 General Obligation Bonds, Series D

During August 2012, the District issued the 2012 General Obligation Bonds, Series D, in the amount of \$12,130,000. The bonds mature beginning on June 1, 2026 through June 1, 2037, with interest yields ranging from 2.80 percent to 3.63 percent. At June 30, 2015, \$12,130,000 was outstanding.

2012 General Obligation Bonds, Series E

During August 2012, the District issued the 2012 General Obligation Bonds, Series E, in the amount of \$15,305,000. The bonds mature beginning on June 1, 2013 through June 1, 2024, with interest yields ranging from 2.00 percent to 5.00 percent. At June 30, 2015, \$10,305,000 was outstanding.

2012 General Obligation Refunding Bonds

In August 2012, the District issued \$47,020,000 of General Obligation Refunding Bonds. The bonds were issued to advance refund and defease all remaining outstanding 2002 General Obligation Bonds, Series A, and a portion of the 2005 General Obligation Bonds, Series B, and pay the associated costs with the issuance of the bonds. The refunding defeased \$48,465,000 of the old debt. The bonds mature beginning on June 1, 2013 through June 1, 2030. Interest rates range from 2.00 percent to 5.00 percent.

The above refunding resulted in a difference between the acquisition price and the net carrying amount of the old debt of \$6,459,556. The difference reported in the accompanying financial statements as a deferred amount on refunding is being charged to operations through the year 2015 using the straight-line method. The deferred charge on refunding balance at June 30, 2015, was \$5,275,868. The outstanding principal balance of the bonds at June 30, 2015, was \$46,070,000.

CHAFFEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

2014 General Obligation Refunding Bonds

In September 2014, the District issued \$84,675,000 of General Obligation Refunding Bonds. The bonds were issued to advance refund and defease all remaining outstanding 2005 General Obligation Bonds, Series B, and a portion of the 2007 General Obligation Bonds, Series C, and pay the associated costs with the issuance of the bonds. The refunding defeased \$86,005,000 of the old debt. The bonds mature beginning on June 1, 2015 through June 1, 2032. Interest rates range from 1.00 percent to 5.00 percent.

Because the transaction qualified as a legal defeasance, the obligation for the defeased bonds has been removed from the District's financial statements. The economic gain calculated as the sum of the project fund proceeds and the net present value savings is approximately \$7,600,000.

The above refunding resulted in a difference between the acquisition price and the net carrying amount of the old debt of \$9,375,561. The difference reported in the accompanying financial statements as a deferred amount on refunding is being charged to operations through the year 2030 using the straight-line method. The deferred charge on refunding balance at June 30, 2015, was \$8,789,588. The outstanding principal balance of the bonds at June 30, 2015, was \$82,760,000.

The outstanding general obligation bonded debt is as follows:

Issuance	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2014	Issued	Accreted Interest Additions	Redeemed	Bonds Outstanding June 30, 2015
2005 Series B	2015	2.65-4.47%	\$ 75,000,000	\$ 17,345,000	\$ -	\$ -	\$ 17,345,000	\$ -
2007 Series C	2017	3.99-4.60%	79,999,966	75,868,348	-	567,429	72,400,000	4,035,777
2012 Series D	2037	2.80-3.63%	12,130,000	12,130,000	-	-	-	12,130,000
2012 Series E	2024	2.00-5.00%	15,305,000	11,805,000	-	-	1,500,000	10,305,000
2012 Refunding	2030	2.00-5.00%	47,020,000	46,215,000	-	-	145,000	46,070,000
2014 Refunding	2032	1.00-5.00%	84,675,000	-	84,675,000	-	1,915,000	82,760,000
				<u>\$ 163,363,348</u>	<u>\$ 84,675,000</u>	<u>\$ 567,429</u>	<u>\$ 93,305,000</u>	<u>\$ 155,300,777</u>

Debt Service Requirements to Maturity

The General Obligation Bonds, Series 2007 C, mature through 2017 as follows:

Fiscal Year	Principal (Including Accreted Interest to Date)	Accreted Interest	Total
2016	\$ 2,066,983	\$ 208,017	\$ 2,275,000
2017	1,968,794	416,206	2,385,000
Total	<u>\$ 4,035,777</u>	<u>\$ 624,223</u>	<u>\$ 4,660,000</u>

CHAFFEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

The General Obligation Bonds, Series 2012 D, mature through 2037 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2016	\$ -	\$ 580,550	\$ 580,550
2017	-	580,550	580,550
2018	-	580,550	580,550
2019	-	580,550	580,550
2020	-	580,550	580,550
2021-2025	700,000	2,902,750	3,602,750
2026-2030	4,035,000	2,536,000	6,571,000
2031-2035	5,020,000	1,597,550	6,617,550
2036-2037	2,375,000	353,500	2,728,500
Total	<u>\$ 12,130,000</u>	<u>\$ 10,292,550</u>	<u>\$ 22,422,550</u>

The General Obligation Bonds, Series 2012 E, mature through 2024 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2016	\$ 1,000,000	\$ 420,300	\$ 1,420,300
2017	1,000,000	380,300	1,380,300
2018	1,055,000	340,300	1,395,300
2019	1,100,000	298,100	1,398,100
2020	1,145,000	254,100	1,399,100
2021-2024	5,005,000	583,100	5,588,100
Total	<u>\$ 10,305,000</u>	<u>\$ 2,276,200</u>	<u>\$ 12,581,200</u>

The 2012 Refunding General Obligation Bonds mature through 2030 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2016	\$ 1,440,000	\$ 2,178,325	\$ 3,618,325
2017	1,580,000	2,149,525	3,729,525
2018	1,770,000	2,086,325	3,856,325
2019	1,950,000	2,024,375	3,974,375
2020	2,170,000	1,926,875	4,096,875
2021-2025	14,595,000	7,951,575	22,546,575
2026-2030	22,565,000	3,546,500	26,111,500
Total	<u>\$ 46,070,000</u>	<u>\$ 21,863,500</u>	<u>\$ 67,933,500</u>

CHAFFEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

The 2014 Refunding General Obligation Bonds mature through 2032 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2016	\$ 665,000	\$ 1,722,425	\$ 2,387,425
2017	715,000	2,557,027	3,272,027
2018	3,100,000	2,533,067	5,633,067
2019	3,350,000	2,478,070	5,828,070
2020	3,650,000	2,396,286	6,046,286
2021-2025	23,430,000	9,689,788	33,119,788
2026-2030	34,390,000	3,087,784	37,477,784
2031-2032	13,460,000	3,087,784	16,547,784
Total	<u>\$ 82,760,000</u>	<u>\$ 27,552,231</u>	<u>\$ 110,312,231</u>

Lease Revenue Bonds

The Lease Revenue Bonds, Series 2006 A, mature through 2023 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2016	\$ 165,000	\$ 85,287	\$ 250,287
2017	195,000	78,687	273,687
2018	225,000	70,887	295,887
2019	255,000	61,887	316,887
2020	290,000	51,687	341,687
2021-2023	955,000	77,307	1,032,307
Total	<u>\$ 2,085,000</u>	<u>\$ 425,742</u>	<u>\$ 2,510,742</u>

The Lease Revenue Bonds, Series 2008 A, mature through 2038 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Accreted Interest</u>	<u>Interest to Maturity</u>	<u>Total</u>
2016	\$ 195,000	\$ -	\$ 195,012	\$ 390,012
2017	235,000	-	185,262	420,262
2018	280,000	-	174,312	454,312
2019	325,000	-	160,312	485,312
2020	375,000	-	147,312	522,312
2021-2025	3,840,234	494,766	383,334	4,718,334
2026-2030	3,549,328	3,660,672	-	7,210,000
2031-2035	2,709,306	4,500,694	-	7,210,000
2036-2038	232,029	572,971	-	805,000
Total	<u>\$ 11,740,897</u>	<u>\$ 9,229,103</u>	<u>\$ 1,245,544</u>	<u>\$ 22,215,544</u>

CHAFFEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Redevelopment Agreement Payable

Principal is due through 2030 as follows:

<u>Fiscal Year</u>	<u>Principal</u>
2016	\$ 140,000
2017	140,000
2018	140,000
2019	140,000
2020	140,000
2021-2025	700,000
2026-2030	660,000
Total	<u>\$ 2,060,000</u>

Loan Payable

The loan payments are due as follows:

<u>Year Ending June 30,</u>	<u>Loan Payment</u>
2016	\$ 95,579
2017	95,579
2018	95,579
2019	56,523
2020	24,481
Total	<u>\$ 367,741</u>

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2015, was \$2,128,836, and contributions made by the District during the year were \$2,883,544. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$140,753 and \$(334,701), respectively, which resulted in a decrease to the net OPEB obligation of \$948,656. As of June 30, 2015, the net OPEB obligation was \$2,179,177. See Note 10 for additional information regarding the OPEB obligation and the postemployment benefits plan.

CHAFFEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 10 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Postemployment Benefits Plan (the Plan) is a single-employer defined benefit healthcare plan administered by Chaffey Community College District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of retirees and beneficiaries currently receiving benefits, terminated plan members entitled to but not receiving benefits, and active Plan members. The maximum age for receiving retirement benefits is 65 years old. Membership of the Plan consists of 39 retirees and beneficiaries currently receiving benefits and 452 active Plan members.

During 2014-2015 fiscal year, the District established a GASB Statement No. 43 trust with the Futuris Public Entity Investment Trust to fund future OPEB obligations. The trust will be administered by Keenan & Associates in representation of the District.

Contribution Information

The contribution requirements of Plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually through agreements between the District and the bargaining units. For fiscal year 2014-2015, the District contributed \$2,883,544 to the Plan, \$754,708 of which was used for current premiums and \$2,128,836 contributed to an irrevocable trust.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the payments of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding costs) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contributions (ARC)	\$ 2,128,836
Interest on net OPEB obligation	140,753
OPEB adjustment	(334,701)
Annual OPEB costs	<u>1,934,888</u>
Contributions made for retiree benefit premiums	(754,708)
Contributions made into irrevocable trust	<u>(2,128,836)</u>
Decrease in net OPEB obligation	(948,656)
Net OPEB obligation, beginning of year	<u>3,127,833</u>
Net OPEB obligation, end of year	<u><u>\$ 2,179,177</u></u>

CHAFFEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Trend Information

Trend information for the annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the past three years is as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2013	\$ 1,432,612	\$ 767,274	54%	\$ 2,380,583
2014	1,457,954	710,704	49%	3,127,833
2015	1,934,888	2,883,544	149%	2,179,177

Funding Status and Funding Progress

The funded status of the OPEB plan as of the most recent actuarial date is as follows:

Actuarial Accrued Liability (AAL)	\$ 16,839,808
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 16,839,808</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0.0%
Covered Payroll	<u>N/A</u>
UAAL as Percentage of Covered Payroll	<u>N/A</u>

The actuarial accrued liability was determined in an March 1, 2015, valuation. Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Other Postemployment Benefits Funding Progress, presented as required supplementary information, follows the notes to the financial statements and presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial values of assets, consistent with the long-term perspective of the calculations.

CHAFFEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

In the March 1, 2015, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses). The cost trend rate used for the medical program was four percent. The UAAL is being amortized at a level percentage method. The remaining amortization period is 25 years.

NOTE 11 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year ending June 30, 2015, the District contracted with the Southern California Schools Risk Management (SCSRM) Joint Powers Authority for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2015, the District participated in the Southern California Schools Risk Management (SCSRM) Joint Powers Authority (JPA), an insurance purchasing pool. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to K-12 and community college districts that can meet the JPA's selection criteria.

<u>Insurance Program / Company Name</u>	<u>Type of Coverage</u>	<u>Limits</u>
CSAC	Workers' Compensation	\$ 125,000
Schools' Excess Liability Fund	Excess Workers' Compensation	\$ 125,000
Southern California Schools Risk Management	Property and Liability	\$ 1,000,000

CHAFFEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of CalSTRS and classified employees are members of CalPERS.

The District implemented GASB Statements No. 68 and No. 71 for the fiscal year ended June 30, 2015. As a result, the District reported its proportionate share of the net pension liabilities, pension expense, and deferred inflow of resources for each of the above plans and a deferred outflow of resources for each of the above plans as follows:

<u>Pension Plan</u>	<u>Proportionate Share of Net Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Proportionate Share of Deferred Inflows of Resources</u>	<u>Proportionate Share of Pension Expense</u>
CalSTRS	\$ 39,441,623	\$ 3,232,407	\$ 9,712,425	\$ 3,405,086
CalPERS	20,982,604	2,385,595	7,209,857	1,864,925
Total	<u>\$ 60,424,227</u>	<u>\$ 5,618,002</u>	<u>\$ 16,922,282</u>	<u>\$ 5,270,011</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers' Retirement Plan (STRP) administered by CalSTRS. STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at:
<http://www.calstrs.com/member-publications>.

Benefits Provided

The STRP provides retirement, disability, and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

CHAFFEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2015, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	8.15%	8.15%
Required employer contribution rate	8.88%	8.88%
Required State contribution rate	5.95%	5.95%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2015, are presented above, and the District's total contributions were \$3,232,407.

CHAFFEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:

District's proportionate share of net pension liability	\$ 39,441,623
State's proportionate share of net pension liability associated with the District	23,816,555
Total	<u>\$ 63,258,178</u>

The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts and the State, actuarially determined. At June 30, 2015, the District's proportion was 0.0675 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$3,405,086. In addition, the District recognized revenue and expense of \$2,056,138 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 3,232,407	\$ -
Difference between projected and actual earnings on pension plan investments	-	9,712,425
Total	<u>\$ 3,232,407</u>	<u>\$ 9,712,425</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

The deferred inflows of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	\$ 2,428,106
2017	2,428,106
2018	2,428,106
2019	2,428,107
Total	<u>\$ 9,712,425</u>

CHAFFEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary investment practice, a best estimate range was determined assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentile for the long-term distribution of annualized returns. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/liquidity	1%	0.00%

CHAFFEY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Discount Rate

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.60%)	\$ 61,479,176
Current discount rate (7.60%)	39,441,623
1% increase (8.60%)	21,066,310

California Public Employees' Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013, annual actuarial valuation report, Schools Pool Actuarial Valuation, 2013. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at:
<https://www.calpers.ca.gov/page/forms-publications>.

CHAFFEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or age 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2015, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	11.771%	11.771%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2015, are presented above, and the total District contributions were \$2,385,595.

CHAFFEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$20,982,604. The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts, actuarially determined. At June 30, 2015, the District's proportion was 0.1848 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$1,864,925. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,385,595	\$ -
Difference between projected and actual earnings on pension plan investments	-	7,209,857
Total	<u>\$ 2,385,595</u>	<u>\$ 7,209,857</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

The deferred inflows of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	\$ 1,802,464
2017	1,802,464
2018	1,802,464
2019	1,802,465
Total	<u>\$ 7,209,857</u>

CHAFFEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.50%
Investment rate of return	7.50%
Consumer price inflation	2.75%
Wage growth	3.00%

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations, as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	5.25%
Global fixed income	19%	0.99%
Private equity	12%	6.83%
Real estate	11%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	3%	4.50%
Liquidity	2%	-0.55%

CHAFFEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.50%)	\$ 36,808,276
Current discount rate (7.50%)	20,982,604
1% increase (8.50%)	7,758,658

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ended June 30, 2015, which amounted to \$1,749,866 (5.679 percent) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. No contributions were made for CalPERS for the year ended June 30, 2015. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use Social Security as its plan. Contributions are made by the District and an employee vest immediately. The District contributes 6.20 percent of an employee's gross earnings. An employee is required to contribute 6.20 percent of his or her gross earnings to the plan.

CHAFFEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2015.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2015.

Construction Agreement with Fontana Redevelopment Agency

During fiscal year 2007, the District entered into a Public Improvements Loan agreement with Fontana Redevelopment Agency to assist in the expansion of the District's Fontana Center. The District has drawn down all available funds, \$700,000. If funds are available upon completion of the third phase of the project, the District is obligated to pay the Agency up to the amount drawn down with the Redevelopment Agency pass-through funds. Payment is only due when the pass-through funds are available after debt service payments are made from existing bond projects.

Construction Commitments

As of June 30, 2015, the District had the following commitments with respect to the unfinished capital projects:

<u>CAPITAL PROJECTS</u>	<u>Remaining Construction Commitments</u>	<u>Expected Date of Completion</u>
Central Plant, TES Tank Installation	\$ 2,454,216	2015-2016
Building Automation	43,787	2015-2016
	<u>\$ 2,498,003</u>	

The projects are funded through a combination of general obligation bonds and capital project apportionments from the California State Chancellor's Office.

CHAFFEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the Southern California Schools Risk Management (SCSRM) joint powers authority (JPA) public entity risk sharing pools for property/liability and the Southern California Schools Employee Benefits Association (SCSEBA) JPA public entity risk sharing pools for workers' compensation. The District pays annual premiums to both entities for its workers' compensation and property liability coverage. The relationship between the District and both pools is such that it is not a component unit of the District for financial reporting purposes.

These JPAs have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the JPAs and the District are included in these statements. Audited financial statements are available from the respective entities.

The District's share of year-end assets, liabilities, or fund equity has not been calculated.

During the year ended June 30, 2015, the District made payments of \$558,312 and \$914,039 to SCSRM and SCSEBA, respectively.

NOTE 15 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, in the current year. As a result, the effect on the current fiscal year is as follows:

Primary Government	
Net Position - Beginning	\$ 167,354,030
Inclusion of net pension liability from the adoption of GASB Statement No. 68	(76,767,040)
Inclusion of deferred outflows of resources for the adoption of GASB Statement No. 68	4,700,154
Net Position - Beginning, as restated	<u>\$ 95,287,144</u>

REQUIRED SUPPLEMENTARY INFORMATION

CHAFFEY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS FOR THE YEAR ENDED JUNE 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
April 29, 2011	\$ -	\$ 11,030,076	\$ 11,030,076	0%	N/A	N/A
March 1, 2013	-	10,541,728	10,541,728	0%	N/A	N/A
March 1, 2015	-	16,839,808	16,839,808	0%	N/A	N/A

CHAFFEY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2015

CalSTRS

District's proportion of the net pension liability	<u>0.0675%</u>
District's proportionate share of the net pension liability	\$ 39,441,623
State's proportionate share of the net pension liability associated with the District	<u>23,816,555</u>
Total	<u><u>\$ 63,258,178</u></u>
District's covered - employee payroll	<u>\$ 32,999,679</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>119.52%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>77%</u>

CalPERS

District's proportion of the net pension liability	<u>0.1848%</u>
District's proportionate share of the net pension liability	<u>\$ 20,982,604</u>
District's covered - employee payroll	<u>\$ 19,485,358</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>107.68%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>83%</u>

Note : In the future, as data become available, ten years of information will be presented.

CHAFFEY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS FOR THE YEAR ENDED JUNE 30, 2015

CalSTRS

Contractually required contribution	\$ 3,232,407
Contributions in relation to the contractually required contribution	<u>3,232,407</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 34,186,391</u>
Contributions as a percentage of covered - employee payroll	<u>8.88%</u>

CalPERS

Contractually required contribution	\$ 2,385,595
Contributions in relation to the contractually required contribution	<u>2,385,595</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 20,266,715</u>
Contributions as a percentage of covered - employee payroll	<u>11.77%</u>

Note : In the future, as data become available, ten years of information will be presented.

SUPPLEMENTARY INFORMATION

CHAFFEY COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION

JUNE 30, 2015

Chaffey Community College was founded as a private college in 1883, and was one of the first colleges to be established in California. Chaffey Community College has been publicly supported since 1916. The College District is comprised of approximately 310 square miles in the western portion of San Bernardino County. The curriculum offered includes lower division courses for students planning to transfer to a four-year college or university. Also offered are general education courses designed to provide continuing educational opportunities to students. The District serves the communities of Rancho Cucamonga, Upland, Ontario, Chino, Chino Hills, Fontana, and Montclair. The College is accredited through the Western Association of Schools and Colleges.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Gary George	President	December 2015
Paul J. Gomez	Vice President	December 2015
Katie Roberts	Clerk	December 2017
Lee C. McDougal	Immediate Past President	December 2015
Kathleen R. Brugger	Member	December 2017
Caleb Beaver	Student Trustee	May 2016

ADMINISTRATION

Henry D. Shannon, Ph.D.	Superintendent/President
Sherrie L. Guerrero, Ed.D.	Associate Superintendent, Instruction and Student Services
Lisa Bailey	Interim Associate Superintendent, Business Services and Economic Development
Melanie Siddiqi	Interim Vice President, Administrative Services
Eric Bishop	Interim Vice President, Student Services

See accompanying note to supplementary information.

CHAFFEY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Student Financial Assistance Cluster:			
Federal Pell Grant	84.063		\$ 23,918,732
Federal Pell Grant - Administration	84.063		43,825
Federal Supplemental Education Opportunity Program	84.007		365,400
Federal Supplemental Education Opportunity Program - Administration	84.007		18,270
Federal College Work Study	84.033		597,525
Federal College Work Study - Administration	84.033		29,876
Total Student Financial Assistance Cluster			<u>24,973,628</u>
Developing Hispanic Serving Institutions Program (Title V)	84.031S		634,757
Upward Bound	84.047A		258,168
Child Care Access Means Parent in School Grant (CAMPIS)	84.335A		137,030
Passed through from California Community Colleges Chancellor's Office			
CTE Transitions	84.048A	14-112-920	43,269
Career and Technical Education Grants	84.048	14-C01-008	638,085
Passed through from California State Department of Rehabilitation			
State Rehabilitation Services Program Workability III	84.126A	[1]	164,502
Total U.S. Department of Education			<u>26,849,439</u>
U.S. DEPARTMENT OF LABOR			
Trade Adjustment Assistance Community College And Career Training Grant	17.282		503,476
Workforce Investment Act Construction Grant	17.278		117,216
Total U.S. Department of Labor			<u>620,692</u>
U.S. DEPARTMENT OF AGRICULTURE			
Forest Reserve	10.665		26,054
Passed through from California Department of Education			
Child Care Food Program	10.558	[1]	60,691
Total U.S. Department of Agriculture			<u>86,745</u>
U.S. DEPARTMENT OF VETERAN AFFAIRS			
Vocational Rehabilitation for Disabled Veterans	64.116		4,030

[1] Pass-Through Entity Identifying Number not available.

See accompanying note to supplementary information.

CHAFFEY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Temporary Assistance for Needy Families Cluster:			
Passed through from California Community Colleges Chancellor's Office			
Temporary Assistance for Needy Families (TANF)	93.558	[1]	\$ 98,481
Passed through from County of San Bernardino Transitional Assistance Department			
Vocational Education and Training	93.558	[1]	303,729
Total Temporary Assistance for Needy Families Cluster			<u>402,210</u>
Child Care and Development Fund Cluster:			
Passed through from California Department of Education			
Child Care and Development Program	93.596	[1]	136,403
California State Preschool Program	93.575	[1]	59,269
Passed through from Yosemite Community College District			
Child Development Training Consortium	93.575	[1]	4,475
Total Child Care and Development Fund Cluster			<u>200,147</u>
Total U.S. Department of Health and Human Services			<u>602,357</u>
Total Expenditures of Federal Programs			<u><u>\$ 28,163,263</u></u>

[1] Pass-Through Entity Identifying Number not available.

See accompanying note to supplementary information.

CHAFFEY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2015

Program	Program Entitlements		
	Current Year	Prior Year Carryover	Total Entitlement
Part-Time Faculty Allocation	\$ 301,589	\$ -	\$ 301,589
Lottery	1,791,750	-	1,791,750
Lottery - Restricted	400,000	-	400,000
Campus Child Care Tax Bailout	139,504	-	139,504
State Meal Reimbursement	3,500	-	3,500
General Child Care and Development	151,725	-	151,725
General-State portion	232,335	-	232,335
Student Financial Assistance Programs (BFAP)	603,285	-	603,285
Extended Opportunity Program and Services (EOPS)	684,081	-	684,081
DPS	1,018,089	143	1,018,232
Health Services	825,133	-	825,133
Scheduled Maintenance Ongoing	-	166,231	166,231
Instructional Equipment and Library Materials	-	94,425	94,425
Parking	1,413,411	-	1,413,411
Technology Grant 08-09	-	5,362	5,362
Matriculation	2,395,386	156,541	2,551,927
Non-credit Matriculation	18,098	-	18,098
CALWORKS	362,989	-	362,989
Sector Navigator	161,431	-	161,431
Deputy Sector Navigator	114,429	-	114,429
Staff Diversity	-	27,097	27,097
Care Program	72,964	-	72,964
Basic Skills 13-14	-	193,908	193,908
Basic Skills 12-13	-	178,037	178,037
CTE Collaborative	-	136,673	136,673
CTE Enhancement Grant	121,846	-	121,846
SBCCD PDC	90,000	-	90,000
Employment Training Grant	-	1,022,264	1,022,264
Nursing Enrollment Grant 1	217,937	-	217,937
Puente Project	1,500	-	1,500
COE Grants	87,221	303,355	390,576
Cal Grants	1,925,773	-	1,925,773
Total State Programs			

See accompanying note to supplementary information.

Program Revenues				
Cash Received	Accounts Receivable	Unearned Revenue	Total Revenue	Program Expenditures
\$ 301,589	\$ -	\$ -	\$ 301,589	\$ 301,589
2,119,011	-	-	2,119,011	2,119,011
73,347	495,448	-	568,795	524,150
139,504	-	-	139,504	139,504
3,460	187	-	3,647	3,647
151,725	-	-	151,725	151,725
232,335	-	-	232,335	232,335
613,376	-	-	613,376	613,376
793,622	-	-	793,622	793,622
1,574,630	-	92,470	1,482,160	1,482,160
777,960	-	-	777,960	755,965
166,231	-	-	166,231	166,231
94,425	-	-	94,425	94,425
1,264,785	-	-	1,264,785	1,264,785
5,362	-	1,295	4,067	4,067
2,551,927	-	146,064	2,405,863	2,405,863
22,262	-	12,779	9,483	9,483
423,492	-	-	423,492	423,492
-	161,431	-	161,431	161,431
-	114,429	-	114,429	114,429
33,831	-	17,054	16,777	16,777
72,964	-	-	72,964	72,964
183,908	-	-	183,908	183,908
178,037	-	-	178,037	178,037
233,429	-	-	233,429	233,429
121,846	-	13,832	108,014	108,014
90,000	-	49,596	40,404	40,404
-	396,581	-	396,581	396,581
217,937	-	108	217,829	217,829
-	1,500	-	1,500	1,500
390,061	20	223,199	166,882	166,882
1,925,773	-	-	1,925,773	1,925,773
<u>\$ 14,756,829</u>	<u>\$ 1,169,596</u>	<u>\$ 556,397</u>	<u>\$ 15,370,028</u>	<u>\$ 15,303,388</u>

CHAFFEY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2015

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2014 only)			
1. Noncredit*	46.19	-	46.19
2. Credit	1,315.35	-	1,315.35
B. Summer Intersession (Summer 2015 - Prior to July 1, 2015)			
1. Noncredit*	-	-	-
2. Credit	777.57	-	777.57
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	9,245.85	-	9,245.85
(b) Daily Census Contact Hours	1,951.98	-	1,951.98
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit*	294.54	-	294.54
(b) Credit	446.22	-	446.22
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	527.96	-	527.96
(b) Daily Census Contact Hours	163.02	-	163.02
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	<u>14,768.68</u>	<u>-</u>	<u>14,768.68</u>
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	-	-	-
H. Basic Skills Courses and Immigrant Education			
1. Noncredit*	308.09	-	308.09
2. Credit	787.07	-	787.07
<u>CCFS-320 Addendum</u>			
CDCP Noncredit FTES	-	-	-
Centers FTES			
1. Noncredit*	27.54	-	27.54
2. Credit	3,479.79	-	3,479.79

* Including Career Development and College Preparation (CDCP) FTES.

See accompanying note to supplementary information.

CHAFFEY COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION FOR THE YEAR ENDED JUNE 30, 2015

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799			
		Object/TOP Codes	Reported Data	Audit Adjustments	Audited Data	Reported Data	Audit Adjustments	Audited Data
<u>Academic Salaries</u>								
Instructional Salaries								
Contract or Regular	1100	\$ 15,687,650	\$ -	\$ 15,687,650	\$ 15,687,650	\$ -	\$ 15,687,650	
Other	1300	12,273,782	-	12,273,782	12,273,782	-	12,273,782	
Total Instructional Salaries		27,961,432	-	27,961,432	27,961,432	-	27,961,432	
Noninstructional Salaries								
Contract or Regular	1200	-	-	-	6,464,306	-	6,464,306	
Other	1400	-	-	-	701,617	-	701,617	
Total Noninstructional Salaries		-	-	-	7,165,923	-	7,165,923	
Total Academic Salaries		27,961,432	-	27,961,432	35,127,355	-	35,127,355	
<u>Classified Salaries</u>								
Noninstructional Salaries								
Regular Status	2100	-	-	-	14,308,513	-	14,308,513	
Other	2300	-	-	-	675,948	-	675,948	
Total Noninstructional Salaries		-	-	-	14,984,461	-	14,984,461	
Instructional Aides								
Regular Status	2200	1,487,265	-	1,487,265	1,487,265	-	1,487,265	
Other	2400	1,072,107	-	1,072,107	1,072,107	-	1,072,107	
Total Instructional Aides		2,559,372	-	2,559,372	2,559,372	-	2,559,372	
Total Classified Salaries		2,559,372	-	2,559,372	17,543,833	-	17,543,833	
Employee Benefits	3000	7,889,052	-	7,889,052	17,579,593	-	17,579,593	
Supplies and Material	4000	-	-	-	1,319,543	-	1,319,543	
Other Operating Expenses	5000	-	-	-	7,838,596	-	7,838,596	
Equipment Replacement	6420	-	-	-	15,124	-	15,124	
Total Expenditures Prior to Exclusions		38,409,856	-	38,409,856	79,424,044	-	79,424,044	

See accompanying note to supplementary information.

CHAFFEY COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2015**

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799			
		Object/TOP Codes	Reported Data	Audit Adjustments	Audited Data	Reported Data	Audit Adjustments	Audited Data
<u>Exclusions</u>								
Activities to Exclude								
Instructional Staff - Retirees' Benefits and Retirement Incentives		5900	\$ 359,174	\$ -	\$ 359,174	\$ 359,174	\$ -	\$ 359,174
Student Health Services Above Amount Collected		6441	-	-	-	-	-	-
Student Transportation		6491	-	-	-	542,989	-	542,989
Noninstructional Staff - Retirees' Benefits and Retirement Incentives		6740	-	-	-	484,323	-	484,323
Objects to Exclude								
Rents and Leases		5060	-	-	-	97,000	-	97,000
Lottery Expenditures								-
Academic Salaries		1000	-	-	-	247,520	-	247,520
Classified Salaries		2000	-	-	-	607,661	-	607,661
Employee Benefits		3000	-	-	-	292,746	-	292,746
Supplies and Materials		4000	-	-	-	-	-	-
Software		4100	-	-	-	-	-	-
Books, Magazines, and Periodicals		4200	-	-	-	444	-	444
Instructional Supplies and Materials		4300	-	-	-	-	-	-
Noninstructional Supplies and Materials		4400	-	-	-	13,019	-	13,019
Total Supplies and Materials			-	-	-	13,463	-	13,463

See accompanying note to supplementary information.

CHAFFEY COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2015**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Audited Data	Reported Data	Audit Adjustments	Audited Data
Other Operating Expenses and Services	5000	\$ -	\$ -	\$ -	\$ 131,595	\$ -	\$ 131,595
Capital Outlay							
Library Books	6000	-	-	-	-	-	-
Equipment	6300	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	857,231	-	857,231
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	857,231	-	857,231
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		359,174	-	359,174	3,633,702	-	3,633,702
Total for ECS 84362, 50 Percent Law		\$ 38,050,682	\$ -	\$ 38,050,682	\$ 75,790,342	\$ -	\$ 75,790,342
Percent of CEE (Instructional Salary Cost/Total CEE)		50.21%		50.21%	100.00%		100.00%
50% of Current Expense of Education					\$ 37,895,171		\$ 37,895,171

See accompanying note to supplementary information.

CHAFFEY COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311)
WITH AUDITED FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2015**

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2015.

See accompanying note to supplementary information.

CHAFFEY COMMUNITY COLLEGE DISTRICT

**PROPOSITION 30 EDUCATION PROTECTION ACT (EPA) EXPENDITURE REPORT
FOR THE YEAR ENDED JUNE 30, 2015**

Activity Classification	Object Code	Unrestricted			
EPA Proceeds:	8630				\$ 13,413,812
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	1000-5900	\$ 13,413,812			\$ 13,413,812
Total Expenditures for EPA		\$ 13,413,812	-	-	\$ 13,413,812
Revenues Less Expenditures					\$ -

See accompanying note to supplementary information.

CHAFFEY COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION JUNE 30, 2015

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

Total Fund Balance and Retained Earnings

General Fund	\$	12,343,311	
Special Revenue Funds		4,053,805	
Capital Projects Funds		36,159,544	
Debt Service Funds		13,693,671	
Proprietary Funds		1,475,650	
Student Financial Aid		<u>6,617</u>	
	\$		67,732,598

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

The cost of capital assets is:	370,365,021	
Accumulated depreciation is:	<u>(82,235,989)</u>	
		288,129,032

Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.

5,618,002

Deferred charges on refunding (the difference between the reacquisition price and net carrying amount of the refunded debt) are capitalized and amortized over the remaining life of the new or old debt (whichever is shorter) are included with governmental activities.

14,065,456

In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.

(652,860)

Difference between projected and actual earnings on pension plan investments are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.

(16,922,282)

Long-term obligations at year-end consist of:

Bonds and notes payable	189,286,807
Net OPEB obligation	2,179,177
Compensated absences (vacations)	1,223,364
Energy optimization loan	367,741
Aggregate net pension obligation	60,424,227

In addition, the District issued "capital appreciation" general obligation bonds. The accretion of interest on those bonds to date is the following:

4,459,464

(257,940,780)

Total Net Position

\$ 100,029,166

See accompanying note to supplementary information.

CHAFFEY COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2015

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

This schedule provides information about the District's governing board members and administration members.

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenses, and Changes in Net Position - Primary Government and the related expenditures reported on the Schedule of Expenditures of Federal Awards.

Description	CFDA Number	Amount
Total Federal Revenues from Statement of Revenues, Expenses, and Changes in Net Position:		\$ 28,174,813
Federal Pell Grant	84.063	(11,550)
Total Expenditures of Federal Awards		<u>\$ 28,163,263</u>

Subrecipients

Of the Federal expenditures presented in the schedule, the District provided Federal awards to subrecipients as follows:

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Amount Provided to Subrecipients
U.S. DEPARTMENT OF LABOR		
Trade Adjustment Assistance Community College And Career Training Grant	17.282	<u>\$ 352,490</u>

Schedule of Expenditures of State Awards

The accompanying Schedule of Expenditures of State Awards includes the State grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The information in this schedule is presented to comply with reporting requirements of the California State Chancellor's Office.

CHAFFEY COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2015

Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance

FTES is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds, including restricted categorical funding, are made to community college districts. This schedule provides information regarding the annual attendance measurements of students throughout the District.

Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation

ECS 84362 requires the District to expend a minimum of 50 percent of the unrestricted General Fund monies on salaries of classroom instructors. This is reported annually to the State Chancellor's Office. This schedule provides a reconciliation of the amount reported to the State Chancellor's Office and the impact of any audit adjustments and/or corrections noted during the audit.

Reconciliation of Annual Financial and Budget Report (CCFS-311) With Audited Fund Balance

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Form CCFS-311 to the District's internal fund financial statements.

Proposition 30 Education Protection Act (EPA) Expenditure Report

This schedule provides the District's summary of receipts and uses of the monies received through the EPA.

Reconciliation of Governmental Funds to the Statement of Net Position

This schedule provides a reconciliation of the adjustments necessary to bring the District's internal fund financial statements, prepared on a modified accrual basis, to the entity-wide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business-type activities reporting model.

INDEPENDENT AUDITOR'S REPORTS



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees
Chaffey Community College District
Rancho Cucamonga, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the business-type activities, and the aggregate remaining fund information of Chaffey Community College District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 14, 2015.

Emphasis of Matter - Change in Accounting Principles

As discussed in Notes 2 and 15 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavimek, Thine, Day & Co., LLP

Rancho Cucamonga, California
December 14, 2015



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Trustees
Chaffey Community College District
Rancho Cucamonga, California

Report on Compliance for Each Major Federal Program

We have audited Chaffey Community College District's (the District) compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2015. The District's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2015.

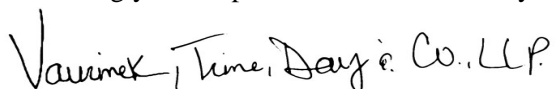
Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Rancho Cucamonga, California
December 14, 2015



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Chaffey Community College District
Rancho Cucamonga, California

Report on State Compliance

We have audited Chaffey Community College District's (the District) compliance with the types of compliance requirements as identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in August 2014 that could have a direct and material effect on each of the District's programs as noted below for the year ended June 30, 2015.

Management's Responsibility

Management is responsible for compliance with the requirements identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in August 2014.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the standards and procedures identified in the California Community Colleges Chancellor's Office *District Audit Manual*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the applicable programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

Unmodified Opinion for Each of the Programs

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the programs noted below that were audited for the year ended June 30, 2015.

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with State laws and regulations applicable to the following:

Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Instructional Service Agreements/Contracts
Section 424	State General Apportionment Funding System
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Concurrent Enrollment of K-12 Students in Community College Credit Courses
Section 430	Schedule Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 438	Student Fees – Health Fees and Use of Health Fee Funds
Section 439	Proposition 39 Clean Energy
Section 440	Intersession Extension Programs
Section 474	Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged (TBA) Hours
Section 490	Proposition 1D State Bond Funded Projects
Section 491	Proposition 30 Education Protection Account Funds

The District reports no Instructional Service Agreements/Contracts for Apportionment Funding; therefore, the compliance tests within this section were not applicable.

The District reports no attendance within classes subject to the TBA Hours; therefore, the compliance tests within this section were not applicable.

The District does not offer any Intersession Extension Programs; therefore, the compliance tests within this section were not applicable.

The District did not receive any funds from Proposition 1D State Bond Funded Projects; therefore, the compliance tests within this section were not applicable.

Vaunex, Time, Day & Co., LLP

Rancho Cucamonga, California
December 14, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CHAFFEY COMMUNITY COLLEGE DISTRICT

SUMMARY OF AUDITOR'S RESULTS FOR THE YEAR ENDED JUNE 30, 2015

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	<u>No</u>

Identification of major Federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.007, 84.033, 84.063</u>	<u>Student Financial Assistance Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 844,898</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	<u>Unmodified</u>
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CHAFFEY COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2015**

None reported.

CHAFFEY COMMUNITY COLLEGE DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

None reported.

CHAFFEY COMMUNITY COLLEGE DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

None reported.

CHAFFEY COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2015

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

Financial Statement Findings

None reported.

Federal Awards Findings

None reported.

State Awards Findings

None reported.